

ORIGINAL RECEIVED



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AZ CORP COMMISSION  
DOCKET CONTROL

ANTELOPE RUN WATER COMPANY

PO Box 85160

Tucson, AZ 85754

520-623-5172

Fax 520-792-0377

August 12, 2009

Arizona Corporation Commission  
Utilities Division  
Docket Control  
1200 West Washington Street  
Phoenix, Arizona 85007

Arizona Corporation Commission  
**DOCKETED**

AUG 12 2009

**Re: Docket No. W-02327A-09-0284**

DOCKETED BY	
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This correspondence will serve to document the response of Antelope Run Water Company ("ARWC" or "Company") to the Arizona Corporation Commission ("ACC") Staff report filed on July 24, 2009, regarding ACC Docket # W-02327A-09-0284.

Please be advised that it is the unequivocal opinion of ARWC that an emergency surcharge which only authorizes an additional \$5.58 base surcharge per customer, per month, is not sufficient. In order to maintain the system until a permanent rate case using a December 31, 2009, test year end can be filed, processed, and take effect, which will likely be almost one and one half years, \$5.58 will not cover the costs to maintain operations. The company is currently struggling with system breakdowns, and expenses that are in excess of revenue. ARWC is experiencing problems similar to those of East Slope Water Company and Indiada Water Company, Inc., in the same geographic area.

ARWC acknowledges a rate case could have been filed at an earlier time. However, keeping the system operational, and water to the customers, has been the main priority. As Staff and the ACC know, rate cases most times are costly, lengthy, and time consuming. The Company felt its resources were better utilized maintaining the water flow to its customers.

The Company realizes the original request of an increase of \$43.51 per customer, per month, is substantial; however, the customers of ARWC have had the benefit of paying extremely low rates in comparison to other water utilities for almost 21 years. After reviewing the Staff report, the Company has revised its requested surcharge amount, as well as the rate design necessary to generate the emergency surcharge revenue.

ARWC serves approximately 165 water customers, and is in desperate need of storage and booster pumps. The Company has no way to obtain the funds necessary to acquire storage at this time, so a financing application will be included when the rate case is filed next year to address the many deficiencies of this aging water system. However, the system currently has extremely low pressure and low volume, especially during the summer months, and the situation further deteriorates each year. The static water level of well #3 was 90 feet, and now it is 160 feet. The well pump is set at 180 feet producing 90-130 gallons per minute. Well #5 has a static water level of 300 feet producing 65 gallons per minute. The lack of pressure is due to insufficient storage and inadequate pumps, which range from 2 to 5 horsepower. As a result of these problems, the system has required replacement of, or repairs to, several pumps in the last two years, as detailed on Attachment 2. In addition, one well was required to be taken out of service and abandoned due to continued contamination problems.

Water is pumped from the remaining two wells directly into the distribution system, and fills the above-ground storage tank. At the extreme north end of the system, water is pumped about a mile with an elevation lift of approximately 500 feet to the small (12,000 gallon) storage tank, which serves about half the system. The water is then pumped uphill approximately 500-600 feet to serve the homes on top of the hill. A lift station is the necessary solution in order to provide adequate pressure to the connections located in the upper elevations. Currently, one of the biggest problems ARWC has is that the pressure at the bottom of each zone has to be around 120 PSI for there to be 50 PSI at the top of the zone. This pressure imbalance is demanding on the pumps, especially during the summer months, when the demand on the system is 102,900 gallons per day, verses 45,000 gallons per day in the winter months.

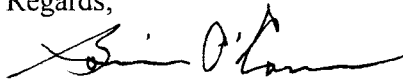
The Company submits as Attachment 1, the Revised Calculation of Monthly Surcharges schedule as an alternative to its original request, and Staff's recommendation in its Staff Report. Staff's recommended surcharge amount included a monthly average of \$167 for repairs and maintenance, based on an average of the actual cost for January through April of 2009, or \$666.

Due to the frequency of repairs or replacement needed per Attachment 2, the 2009 monthly average of \$167 is artificially low, and misrepresents the historical expense level of the Company for repairs and maintenance of the pumps. Also, since many times the pump could not be repaired, it was replaced. Many of these expenditures were capitalized, resulting in non-recovery either by repairs expense or depreciation expense, and currently comprise some of the accounts payable balance.

In addition, based on customer feedback, ARWC proposes implementing an emergency surcharge that includes both a monthly base fee, as well as a commodity rate per 1,000 gallons. This rate design will more appropriately distribute the impact of the emergency surcharge to the water users putting the most demand on the system. As a result, the Company proposes a base emergency surcharge amount of \$5.00 per connection per month, and \$0.46 per thousand gallons commodity surcharge on all gallons sold.

Finally, Staff recommends the Company be required to post a bond or irrevocable sight draft letter of credit in the amount of \$10,000 to ensure there is money available to refund ratepayers if the ACC determines in a later proceeding the emergency surcharge was too large. ARWC asserts it will be impossible to comply with this recommendation given the current financial state of the company. In the event the ACC decides at a later date that the surcharge was too large, refunds could be implemented via customer billing credits until the excess surcharge amounts are repaid.

Regards;

A handwritten signature in black ink, appearing to read "Bonnie O'Connor", written over a horizontal line.

Bonnie O'Connor, President  
Southwestern Utility Management, Inc.

For  
Bobby Watkins, Owner  
Antelope Run Water Company

cc: Bobby Watkins, Owner  
Nathan Watkins, President

**ANTELOPE RUN WATER COMPANY**  
**DOCKET NO. W-02327A-09-0284**  
**REVISED CALCULATION OF MONTHLY SURCHARGES**

	<u>Amounts</u>	<u>Monthly Average</u>	<u>Surcharge Per Conn</u>	<u>Monthly Revenue</u>
Staff Proposed Amounts			\$ 5.58	\$ 920.70
January - April 2009 Actual Repairs and Maintenance	\$ 666			
Staff Monthly Average for Repairs & Maintenance		\$ 167		
January 2007 - December 2008 amount spent for repairs and maintenance on pumps and motors only per attached invoice detail	25,727			
24 month average		1,072		
Increase to Monthly Average for Repairs & Maintenance		\$ 905		
Number of Connections		165		
Additional Surcharge for Repairs & Maintenance			5.49	905.46
<b>Company Monthly Revised Totals</b>			<b>\$ 11.07</b>	<b>\$ 1,826.16</b>

**Company Proposed Change to Surcharge Rate Design:**

Revised Base Surcharge Per Connection		5.00	825.00
Revenue to be Generated by Commodity Rate			\$ 1,001.16
Total Gallons Sold in 2008 (Thousands)	26,107		
Average Gallons Sold Per Month (Thousands)	2,176		2,176
Commodity Revenue Needed Per 1,000 Gallons			\$ 0.46

**Revenue check:**

Number of Connections	165		
Monthly Base Surcharge Per Connection		\$ 5.00	
Monthly Revenue from Base Surcharge			\$ 825.00
Average Gallons Per Customer Per Month	13,185		
Commodity Surcharge Per 1,000 Gallons		\$ 0.46	
Monthly Revenue from Commodity Surcharge			1,001.16

**Company Revised Monthly Surcharge Revenue Generated by Alternate Rate Design** **\$ 1,826.16**

**Customer Current Rates and Proposed Surcharge Impact:**

Monthly Minimum (5/8" x 3/4")	\$ 11.50		
Commodity Rate	\$ 1.00		
Average Monthly Gallons	13,185		
Amount Based on Usage	13.19		
<b>Monthly Bill at Current Rates Based on 13,185 Gallons of Average Usage</b>			<b>\$ 24.69</b>
Proposed Monthly Base Surcharge		\$ 5.00	
Proposed Monthly Commodity Surcharge		6.07	
<b>Monthly Bill Based on 13,185 Gallons of Average Usage Plus Proposed Surcharge Amount</b>			<b>\$ 35.75</b>

**Antelope Run Water Company**  
**DOCKET NO. W-02327A-09-0284**

**Detail of Invoices for Repairs and Maintenance to Pumps and Motors**

<b>Date</b>	<b>Vendor</b>	<b>Explanation</b>	<b>Pump &amp; Motor Repairs</b>
21-Jan-07	Foster Pump	Installed new pump at Well #3	\$ 4,260.72
12-Feb-07	Foster Pump	Reprogrammed VFD	135.00
04-Mar-07	Best Way Electric	Clean & reassemble motor - added parts	544.88
10-Jul-07	Best Way Electric	Clean & reassemble motor - added parts	75.00
24-Aug-07	Best Way Electric	Clean & reassemble motor - added parts	1,000.76
17-Sep-07	Foster Pump	Replaced pump & motor at North well #3	8,001.41
24-Apr-08	Best Way Electric	Clean & repair motor & pump	624.28
01-Aug-08	Best Way Electric	Replacement pump & motor	1,876.27
18-Aug-08	Foster Pump	Replaced pump & motor	1,219.87
18-Oct-08	D&M Well	Replacement pump & motor	6,826.61
10-Dec-08	Jim's Electric	New motor starter at Kachina	1,162.19
			<hr/> \$ 25,726.99

# Foster Pump Sales Inc.

P.O. Box 271  
Sonoita, AZ 85637

## Invoice

Date	Invoice #
1/21/2007	719

Bill To
East Slope Water Co. <i>Antelope Run</i> Nathan Watkins 301 N Garden Ave. Sierra Vista, Az. 85635

Terms	Due Date
Net 30	2/20/2007

Description	Quantity	Rate	Amount
12-14-06 Pulled pump at end of Kachina Trail. Labor and Travel	4.5	90.00	405.00
85S150-11 # 0641 Pump End Only		3,006.00	3,006.00T
Misc. Fittings etc.		20.00	20.00T
1-11-07 Installed new pump in well #3 - Antelope Run Water Co. & reprogramed VFD. Replaced 150S20-11. Labor and Travel	7	90.00	630.00
Pump Set @ 273'			

*pd 3-19-07  
Q 1052*

Thank you for your business.

Sales Tax (6.6%) \$199.72

Total \$4,260.72

Balance Due \$4,260.72

Phone #
520-455-5362

# Foster Pump Sales Inc.

P.O. Box 271  
Sonoita, AZ 85637

## Invoice

Date	Invoice #
2/12/2007	768

Bill To
East Slope Water Co. Nathan Watkins 301 N Garden Ave. Sierra Vista, Az. 85635

*Antelope Run.*

Terms	Due Date
Net 30	3/14/2007

Description	Quantity	Rate	Amount
Reprogrammed VFD. Labor and Travel  <i>PA 3-19-07 @ 1058</i>	1.5	90.00	135.00
Thank you for your business.		Sales Tax (6.6%)	\$0.00

Total \$135.00

Balance Due \$135.00

Phone #
520-455-5362



**BESTWAY ELECTRIC MOTOR SERVICE CO., INC.**  
728 S. CAMPBELL AVE.  
TUCSON, ARIZONA 85719  
PHONE (520) 884-9141 FAX (520) 884-1850  
LIC#ROC180618 L-29

## INVOICE

INVOICE NUMBER: 612146

INVOICE DATE: March 7, 2007

PAGE: 1

SOLD ANTELOPE RUN WATER  
TO: ATTN: NATHAN WATKINS  
301 N GARDEN AVE  
TUCSON, AZ 85635

SHIP  
TO:

SHIP VIA: Customer Pickup  
SHIP DATE: 3/7/07  
DUE DATE: 3/7/07  
TERMS: DUE UPON RECEIPT

CUST. I.D.: ANTR  
P.O. NUMBER: NATHAN  
P.O. DATE:  
OUR ORDER NO.:  
SALESPERSON:

ITEM I.D./DESC.	ORDERED	SHIPPED	UNIT	PRICE	NET	TX
5HP GOULDS PUMP. 3500 RPM, 1PH, 60HZ, 230V, 12.5A, 184JM FRAME, CAT# JML1409T, S/N F0505180449 DISASSEMBLE AND INSPECT UNIT. CLEAN ALL PARTS. REPLACE MECHANICAL SEAL. RE-ASSEMBLE UNIT. TEST RUN, DETAIL AND PAINT. LABOR MATERIAL					453.75 84.30	
<i>PAID 3-19-07 CR 1058</i>						

WE ACCEPT VISA AND MASTERCARD.  
THANK YOU FOR YOUR BUSINESS

SUB TOTAL:	538.05
TAX:	6.83
PAYMENTS	0.00
TOTAL:	544.88





**BESTWAY ELECTRIC MOTOR SERVICE CO., INC.**  
728 S. CAMPBELL AVE.  
TUCSON, ARIZONA 85719  
PHONE (520) 884-9141 FAX (520) 884-1850  
Lic.# ROC180818 L-29

# INVOICE

INVOICE NUMBER: 707046

INVOICE DATE: July 10, 2007

PAGE: 1

SOLD ANTELOPE RUN WATER  
TO: ATTN: NATHAN WATKINS  
301 N GARDEN AVE  
TUCSON, AZ 85635

SHIP  
TO:

SHIP VIA: Customer Pickup  
SHIP DATE: 7/9/07  
DUE DATE: 7/10/07  
TERMS: DUE UPON RECEIPT

CUST. I.D.: ANTR  
P.O. NUMBER  
OUR ORDER NO.: 707046  
SALESPERSON:

## ITEM / DESCRIPTION

NET

5HP BALDOR / GOULDS BOOSTER PUMP. 3450 RPM, 1PH, 60HZ, 230V, 23A, 184TCZ  
FRAME, CAT# JML1409, SPEC# 36F868-190, GOULD 45HB15013  
TEST AND INSPECT. REMOVE O.D.E. ENDBELL. FOUND STATIONARY SWITCH GREASED  
UP NOT ALLOWING CONTACTS TO MAKE. CLEAN SWITCH. RE-INSTALL  
ENDBELL. TEST RUN. UNIT OPERATIONAL AT THIS TIME.  
LABOR

75.00

*pd 8-13-07  
CR 1107*

*Thank You for Your Business*

WE ACCEPT VISA® AND MASTERCARD®

SUB TOTAL:	75.00
TAX:	0.00
FREIGHT OUT:	0.00
PAYMENTS:	0.00
TOTAL:	75.00



**BESTWAY ELECTRIC MOTOR SERVICE CO., INC.**  
728 S. CAMPBELL AVE.  
TUCSON, ARIZONA 85719  
PHONE (520) 884-9141 FAX (520) 884-1850  
Lic.# ROC180818 L-29

# INVOICE

INVOICE NUMBER: 612147

INVOICE DATE: August 24, 2007

PAGE: 1

SOLD ANTELOPE RUN WATER  
TO: ATTN: NATHAN WATKINS  
301 N GARDEN AVE  
SIERRA VISTA, AZ 85635

SHIP  
TO:

SHIP VIA: Customer Pickup  
SHIP DATE: 8/24/07  
DUE DATE: 8/24/07  
TERMS: DUE UPON RECEIPT

CUST. I.D.: ANTR  
P.O. NUMBER  
OUR ORDER NO.: 612147  
SALESPERSON:

## ITEM / DESCRIPTION

NET

5HP GOULD BOOSTER PUMP. 3450 RPM, 1PH, 60HZ, 230V, 23A, 184CZ FRAME, CAT#  
JML1409, S/N F0210074998, M/N 45HB15013  
DISASSEMBLE AND INSPECT UNIT. CLEAN ALL PARTS. REPLACE BEARINGS IN MOTOR.  
RE-ASSEMBLE MOTOR. TEST RUN. REPLACE STACK ASSEMBLY PARTS FOR PUMP  
END. RE-ASSEMBLE UNIT WITH NEW MECHANICAL SEAL. TEST RUN. DETAIL.  
LABOR  
MATERIAL

467.50  
493.30

*Pd 9-6-07  
CR 1118*

*Thank You for Your Business*

WE ACCEPT VISA® AND MASTERCARD®

SUB TOTAL:	960.80
TAX:	39.96
FREIGHT OUT:	0.00
PAYMENTS:	0.00
TOTAL:	1,000.76

# Foster Pump Sales Inc.

P.O. Box 271  
Sonoita, AZ 85637

## Invoice

Date	Invoice #
9/17/2007	1243

Bill To
East Slope Water Co. Nathan Watkins 301 N Garden Ave. Sierra Vista, Az. 85635

Terms	Due Date
Net 30	10/17/2007

Description	Quantity	Rate	Amount
150S200-11 Pump(0727) Motor(0715) Misc 8-20-07 Pulled pump at end of Kachina Trail. Ordered Pump. 8-22-07 Replaced pump & Motor. Labor and Travel	8	6,646.00 34.50 110.00	6,646.00T 34.50T 880.00
<p><i>N Well</i> <i>Well #3</i> <i>12-10-07</i> <i>Ad 4,500-</i> <i>CR# 1156</i> <i>Indiada Ad 1000-</i> <i>5-9-08 CR 1221</i> <i>Hotetope Ad 2915.27</i> <i>CR 1222</i> <i>5-9-08</i></p>			
Thank you for your business.		Sales Tax (6.6%)	\$440.91
		Total	\$8,001.41
		Balance Due	\$8,001.41

Phone #
520-455-5362

**Bestway Electric Motor Service, Co. Inc.**

728 S. Campbell Ave.

Tucson, AZ 85719

License No. ROC180818 L-29

Phone: 520-884-9141 Fax: 520-884-1850

**INVOICE**

Invoice #	0485199
Date	04/25/08
Page #	1

<b>Bill To:</b>						<b>Ship To:</b>					
ANTELOPE RUN WATER ATTN: NATHAN WATKINS 301 N GARDEN AVE SIERRA VISTA, AZ 85635						ANTELOPE RUN WATER ATTN: NATHAN WATKINS 301 N GARDEN AVE SIERRA VISTA, AZ 85635					
Order #	Order Date	Customer	Sls	Customer P/O#			Ship Date	Terms			
J804037	04/07/08	ANT125	200	Verbal Nathan 4-24			04/25/08	Due on Receipt			
P/O Release#					Ship Via	Cust. P/Up	Miscellaneous				
Order	Ship	B/O	Item #/Description				UM	Unit Price	Extended		
			Nameplate Data: HP:5, MOTOR MAKE:Baldor, PUMP MAKE:Gould, RPM:3465, VOLTS:230, MTR M/N#:JML1409, PUMP M/N#:45HB15013, PHASE:1 Incoming Inspection Disassemble Pump Electrical Inspection Mechanical Inspection Clean Pump Parts Reassemble Pump Paint Pump Quality Assurance Inspecting & Reporting Shop material Shop Labor						161.22 450.00		
<b>Thank You for Your Business!</b>  We accept VISA and MASTERCARD								Sales Amount	611.22		
								Discount	0.00		
								Sales Tax	13.06		
								Freight	0.00		
								Total Due	624.28		

Customer Copy

Pd 5-7-08  
CR 12/8

Bestway Electric Motor Service, Co. Inc.  
 728 S. Campbell Ave.  
 Tucson, AZ 85719  
 License No. ROC180818 L-29

Phone: 520-884-9141 Fax: 520-884-1850

# INVOICE

Invoice #	0485814
Date	08/01/08
Page #	1

Bill To:	ANTELOPE RUN WATER ATTN: NATHAN WATKINS 301 N GARDEN AVE SIERRA VISTA, AZ 85635	Ship To:	ANTELOPE RUN WATER ATTN: NATHAN WATKINS 301 N GARDEN AVE SIERRA VISTA, AZ 85635
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Order #	Order Date	Customer	Sls	Customer P/O#	Ship Date	Terms
J806058	06/11/08	ANT125	200		07/30/08	Due on Receipt

P/O Release#	Ship Via	Cust. P/Up	Miscellaneous
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Order	Ship	B/O	Item #/Description	UM	Unit Price	Extended
1	1	0	Nameplate Data: HP:5, MOTOR MAKE:Baldor, PUMP MAKE:Goulds, RPM:3450, VOLTS:230, MTR M/N#:JML1409, MTR S/N:F0210074998, PUMP M/N#:45HB, PHASE:1  Disassemble and inspect unit. Unit needs major overhaul with replacement motor, stack assembly, mechanical seal, repair to threads on both d.e. and o.d.e. pump housings, re-assembly and tank test. Supply replacement pump  45HB15013 Gould pump		1650.0000	1,650.00



Thank You for Your Business!

We accept VISA and MASTERCARD

Sales Amount	1,650.00
Discount	0.00
Sales Tax	140.59
Freight	85.68
Total Due	1,876.27

# Foster Pump Sales, Inc.

PO Box 271

Sonoita, AZ 85637-0271

## Invoice

Date	Invoice #
8/18/2008	1888

Bill To <i>Antelope Run</i>
<del>East Slope Water Co.</del>
Nathan Watkins
301 N Garden Ave.
Sierra Vista, Az. 85635

Terms	Due Date
Net 30	9/17/2008

Description	Quantity	Rate	Amount
20HP 3 PH Motor (0819)		3,107.00	3,107.00T
10/4 Submersible Wire	180	2.28	410.40T
Misc Fittings, etc.		21.00	21.00T
7-31-08 Pulled pump and motor for Antelope Run. Motor was bad. Pump end was good. Labor and Travel	4	95.00	380.00
8-1-08 Put new motor on old pump end. Put in new wire. Labor and Travel	4	95.00	380.00

Thank you for your business.

**Sales Tax (6.6%)** \$233.53

**Payments/Credits** \$-3,312.06

**Balance Due** \$1,219.87

Phone #

520-455-5362

# D & M Well Service

1958 Rochin Road • Douglas, AZ 85608 • Office (520) 364-2261  
License # 092829

Get These PAID

Date 12/18, 2018  
Customer Name: Mitchell & Son  
Address: \_\_\_\_\_ Phone: \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Parts		
5RUPAH 8 Stg Pump and	2450	00
2 hp 460V 3ph Motor	2600	00
Franklin Schrammer	960	00
	6010	00
	Tax	340 61
	Total	6376 61
Labor		
2 hr replaced pump		
+ motor	450	00
	Sub-Total	
	Total	6826 61

Signature

No 2957

**Jim's Electric, Inc**

dba Jim's Electric  
P.O. Box 4592  
Bisbee, Az 85603

Lic #'s 217619 \* 217620

**Invoice**

Date	Invoice #
12/10/2008	6897

**Bill To**

Antlope Run Water Company  
Southwest Utilities  
P.O. Box 85160  
Tucson, Az 85734

P.O. No.	Terms	Due Date
	Net 10 Days	12/20/2008

Description	Amount
Rewire controls and install new motor starter with Subtrol monitor well at end of Kachina Dr	1,117.87T
Thank you for your business.	
<b>Subtotal</b> \$1,117.87	
<b>Sales Tax (3.965%)</b> \$44.32	
<b>Total</b> \$1,162.19	
<b>Payments/Credits</b> \$0.00	
<b>Balance Due</b> \$1,162.19	

Phone #	Fax #
520-432-1118	520-432-1119

A 2% finance charge will be  
assessed if not paid by due date